

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS  
Years ended December 31, 2009 and 2008**

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

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**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**OFFICIALS**

<b><u>NAME OF OFFICIAL</u></b>	<b><u>OFFICIAL TITLE</u></b>	<b><u>TERM EXPIRES</u></b>
Scott Akin	Trustee	January 01, 2010
Don Kenworthy	Trustee	January 01, 2013
Steve Stueckradt	Trustee	January 01, 2013
Tim Larsen	General Manager	Indefinite
Loretta Wetzel	Office Manager	Indefinite



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Corning Municipal Utilities  
Corning, Iowa

We have audited the accompanying balance sheets of Corning Municipal Utilities, a component unit of the City of Corning, Iowa, and the related statements of operations, fund equity, cash flows and indebtedness for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Corning Municipal Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corning Municipal Utilities as of December 31, 2009 and 2008, and the respective changes in financial position and cash flows, where applicable, for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated July 2, 2010, on our consideration of Corning Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 - 8 and 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The supplemental information included in Schedules 1- 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kiesling Associates LLP*

West Des Moines, Iowa

July 2, 2010

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Corning Municipal Utilities provides this Management's Discussion and Analysis of its financial statements. The narrative overview and analysis of the financial activities is for the year ended December 31, 2009. We encourage readers to consider this information in conjunction with the Utilities' financial statements which follow.

**2009 Financial Highlights**

- Revenues of the Utilities' enterprise activities increased 0.42%, or approximately \$15,000, from 2008 to 2009.
- Program expenses decreased 9.29%, or approximately \$296,000, from 2008 to 2009. Water, electric and gas expenses increased (decreased) approximately \$(28,000), \$296,000 and \$(564,000), respectively.
- The Utilities' fund equity increased 13.40%, or approximately \$576,000, from December 31, 2008, to December 31, 2009. Of this amount, the net assets of water, electric, gas and agency funds increased by approximately \$194,000, \$160,000, \$215,000 and \$7,000, respectively.

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utilities' financial statements.

The Financial Statements consist of a Balance Sheet, Statement of Operations, Statement of Fund Equity, Statement of Cash Flows and the Statement of Indebtedness. These provide information about the activities of the Utilities as a whole and present an overall view of the Utilities' finances.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison to the Utilities' budget for the year.

Other Supplementary Information provides detailed information about the separate funds. In addition, a schedule of plant for each fund provides details about the additions and retirements made during the year ended December 31, 2009.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**REPORTING THE UTILITIES' FINANCIAL ACTIVITIES**

Financial Statements

One of the most important questions asked about the Utilities' finances is, "Is the Utility as a whole better off or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Operations report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Balance Sheet presents all of the Utilities' assets and liabilities, with the difference between the two reported as fund equity. Over time, increases or decreases in the Utilities' fund equity may serve as a useful indicator of whether the financial position of the Utilities is improving or deteriorating.

The Statement of Operations presents information showing how the Utilities' fund equity changed during the most recent year. All changes in fund equity are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Balance Sheet and the Statement of Operations report one kind of activity:

- Business type activities include the waterworks, electrical and gas departments. These activities are financed primarily by user charges.

*Fund Financial Statements*

The Utilities has two kinds of funds:

- (1) Proprietary funds account for the Utilities' Enterprise Funds. Proprietary funds account for most of the Utilities' basic services. These funds report services for which the Utilities charges customers for the service it provides. Proprietary funds are reported in the Balance Sheet and the Statement of Operations. The Enterprise Funds include the Water, Electric and Gas Funds, each considered to be a major fund of the Utilities. The Utilities is responsible for ensuring the assets reported in these funds are used only for their intended purpose and by those to whom the assets belong.

The financial statements required for proprietary funds include a balance sheet, statement of operations, changes in fund equity and a statement of cash flows.

- (2) Fiduciary funds account for the Utilities' Agency Funds. These are funds through which the Utilities accounts for billing and collection of the City of Corning's garbage and sewer fees.

The Utilities is responsible for ensuring assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The Utilities excludes these activities from the financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary fund equity and a statement of changes in fiduciary fund equity.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS**

As noted earlier, fund equity may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the fund equity for business type activities.

<u>Fund Equity at Year-end</u>		
	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 7,785,109	\$ 7,797,265
Capital assets	<u>8,539,955</u>	<u>8,799,717</u>
Total assets	<u>16,325,064</u>	<u>16,596,982</u>
Long-term liabilities	10,125,896	10,997,161
Other liabilities	<u>1,323,991</u>	<u>1,300,781</u>
Total liabilities	<u>11,449,887</u>	<u>12,297,942</u>
Fund equity:		
Invested in capital assets, net of related debt	2,999,464	2,873,944
Restricted	64,348	56,688
Unrestricted	<u>1,811,365</u>	<u>1,368,408</u>
Total fund equity	<u>\$ 4,875,177</u>	<u>\$ 4,299,040</u>

Net assets of business type activities increased from 2008 by approximately \$576,000, or 13.40%. The largest portion of the Utilities' fund equity is invested in capital assets (e.g., land, buildings, infrastructure and equipment), less related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted fund equity represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted fund equity, the part of fund equity that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is approximately \$1,811,365 at the end of the year. The excess is due to the new ethanol facility paying the loan payments related to the debt the Utilities' had to obtain in order to complete installation of new water mains and gas lines to provide service to the ethanol plant.



**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**INDIVIDUAL MAJOR FUND ANALYSIS**

**Proprietary Fund Highlights**

The Water Fund, which accounts for the operation and maintenance of the Utilities' water system, ended 2009 with a \$1,487,647 fund equity balance compared to the prior year ending fund equity balance of \$1,293,481.

The Electric Fund, which accounts for the operation and maintenance of the Utilities' electrical distribution and generation systems, ended 2009 with a \$2,747,770 fund equity balance compared to the prior year ending fund equity balance of \$2,588,037.

The Gas Fund, which accounts for the operation and maintenance of the Utilities' natural gas system, ended 2009 with a \$575,412 fund equity balance compared to the prior year ending fund equity balance of \$360,834. The following are the major reasons for the changes in fund balances in the major proprietary funds from the prior year.

- The Water and Gas Funds saw a consistent trend in revenue from the ethanol facility coming on-line and also had minimal interest expense since the ethanol facility is providing the funds to make the principal and interest payments related to the financing obtained to complete construction to be able to provide service to the ethanol facility.
- The Gas Fund saw a large decrease in the cost of purchased energy which also resulted in a decrease in gas services provided as a portion of the rate charged is variable in accordance with the market.

**Agency Fund Highlights**

The Sewer Fund, which accounts for the billing and collection of the City of Corning's sewer system, ended 2009 with a \$49,060 fund equity balance compared to the prior year ending fund equity balance of \$42,648.

The Garbage Fund, which accounts for the billing and collection of the City of Corning's garbage collection system, ended 2009 with a \$15,288 fund equity balance compared to the prior year ending fund equity balance of \$14,040.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the Utilities did not amend its budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Utilities' capital assets include land, buildings and improvements, equipment, water distribution systems, electrical distribution systems, gas distribution systems and other infrastructure. Capital assets for business type activities totaled \$8,539,955 (net of accumulated depreciation) at December 31, 2009 and \$8,799,717 (net of accumulated depreciation) as of December 31, 2008. See the accompanying notes to the financial statements for more information about the Utilities' capital assets.

**CORNING MUNICIPAL UTILITIES  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

The major capital outlays for business type activities during the year included additions to distribution plant.

**Long-Term Debt**

At December 31, 2009 and 2008, the Utilities had \$9,392,957 and \$10,106,721, respectively, in total long-term debt outstanding for business type activities. Other obligations include compensated absences and unearned revenue. Additional information about the Utilities' long-term debt is presented in Note 5 to the financial statements.

**ECONOMIC FACTORS BEARING ON THE UTILITIES' FUTURE**

Several economic factors affected decisions made by the Utilities in setting its 2010 budget. Some of these factors included the plans for increased capacity needs for customers and rate increases that were put into effect.

**CONTACTING THE UTILITIES' MANAGEMENT**

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the Utilities' finances and operating activities. If you have any questions or require additional information please contact the General Manager, Corning Municipal Utilities, 501 Benton Avenue, Corning, Iowa 50841.

## **FINANCIAL STATEMENTS**

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Exhibit A**

**BALANCE SHEETS  
December 31, 2009 and 2008**

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
ELECTRIC PLANT IN SERVICE	\$ 4,828,333	\$ 4,757,355
Less accumulated depreciation	<u>2,191,744</u>	<u>2,039,134</u>
	<u>2,636,589</u>	<u>2,718,221</u>
 WATER PLANT IN SERVICE	 7,350,110	 7,336,024
Less accumulated depreciation	<u>1,559,768</u>	<u>1,378,783</u>
	<u>5,790,342</u>	<u>5,957,241</u>
 GAS PLANT IN SERVICE	 777,968	 773,729
Less accumulated depreciation	<u>664,944</u>	<u>649,474</u>
	<u>113,024</u>	<u>124,255</u>
 RESTRICTED ASSETS		
Cash-security deposits	45,730	48,340
Water plant project	118,146	112,630
Electric Revenue Bond Sinking Fund	<u>181,210</u>	<u>180,403</u>
	<u>345,086</u>	<u>341,373</u>
 NONCURRENT ASSETS		
Notes receivable, less current portion	4,594,803	5,066,117
Unamortized debt issuance costs	151,008	167,138
Intangibles	<u>45,000</u>	<u>45,000</u>
	<u>4,790,811</u>	<u>5,278,255</u>
 CURRENT ASSETS		
Cash and cash equivalents	1,039,083	531,177
Temporary investments	510,656	502,526
Customers accounts receivable	28,561	21,984
Unbilled revenues	466,407	437,428
Other accounts receivable	23,508	143,373
Notes receivable	462,374	425,764
Plant materials and operating supplies	106,820	104,166
Prepaid insurance	<u>11,803</u>	<u>11,219</u>
	<u>2,649,212</u>	<u>2,177,637</u>
 TOTAL ASSETS	 <u>\$ 16,325,064</u>	 <u>\$ 16,596,982</u>

The accompanying notes are an integral part of these financial statements.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Exhibit A**

**BALANCE SHEETS  
December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<b>FUND EQUITY</b>		
Invested in capital assets, net of related debt	\$ 2,999,464	\$ 2,873,944
Fund balance-agency funds (restricted)	64,348	56,688
Unrestricted	<u>1,811,365</u>	<u>1,368,408</u>
	<u>4,875,177</u>	<u>4,299,040</u>
 <b>LONG-TERM LIABILITIES</b>		
Compensated absences	91,284	85,339
Unearned revenue	1,402,029	1,518,865
Long-term debt	<u>8,632,583</u>	<u>9,392,957</u>
	<u>10,125,896</u>	<u>10,997,161</u>
 <b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Customer deposits	<u>45,730</u>	<u>48,315</u>
 <b>CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS</b>		
Accounts payable	350,596	390,479
Advanced payments	167,291	148,223
Current portion of long-term debt	<u>760,374</u>	<u>713,764</u>
	<u>1,278,261</u>	<u>1,252,466</u>
 <b>TOTAL LIABILITIES AND FUND EQUITY</b>	 <u><u>\$ 16,325,064</u></u>	 <u><u>\$ 16,596,982</u></u>

The accompanying notes are an integral part of these financial statements.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Exhibit B**

**STATEMENTS OF OPERATIONS  
Years ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUES</b>		
Electric service	\$ 1,632,393	\$ 1,389,716
Water service	800,456	813,403
Gas service	1,071,641	1,286,049
SIRWA revenue	<u>116,836</u>	<u>116,836</u>
	<u>3,621,326</u>	<u>3,606,004</u>
<b>OPERATING EXPENSES</b>		
Purchased energy	1,510,267	1,883,653
Operations and maintenance	362,247	553,069
Depreciation	345,110	338,749
Customer accounts expense	31,010	87,978
Administrative and general	630,583	309,282
General taxes	<u>5,837</u>	<u>7,880</u>
	<u>2,885,054</u>	<u>3,180,611</u>
<b>OPERATING INCOME</b>	<u>736,272</u>	<u>425,393</u>
<b>OTHER INCOME (EXPENSE)</b>		
Income from merchandising and custom work, net	6,692	4,969
Interest income	456,411	499,232
Other income charges	<u>(27,593)</u>	<u>(54,939)</u>
	<u>435,510</u>	<u>449,262</u>
<b>INCOME BEFORE FIXED CHARGES</b>	<u>1,171,782</u>	<u>874,655</u>
<b>FIXED CHARGES</b>		
Interest	<u>603,305</u>	<u>646,192</u>
<b>NET INCOME</b>	<u>\$ 568,477</u>	<u>\$ 228,463</u>

The accompanying notes are an integral part of these financial statements.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Exhibit C**

**STATEMENTS OF FUND EQUITY  
Years ended December 31, 2009 and 2008**

	Invested in Capital Assets, Net of Related Debt	Fund Balance Agency Funds	Unrestricted	Total
Balance at December 31, 2007	\$ 2,665,686	\$ 60,650	\$ 1,348,203	\$ 4,074,539
Add:				
Net income from enterprise funds	-	-	228,463	228,463
Expenditures for capital assets	66,764	-	(66,764)	-
Depreciation provision	(345,316)	-	345,316	-
Restricted cash expended	111,336	-	(111,336)	-
Amortization of debt issuance costs	(16,131)	-	16,131	-
Repayment of long-term debt	675,052	-	(675,052)	-
Collections of note receivable	(400,283)	-	400,283	-
Recognition of unearned revenue	116,836	-	(116,836)	-
Net change in agency funds	<u>-</u>	<u>(3,962)</u>	<u>-</u>	<u>(3,962)</u>
Balance at December 31, 2008	2,873,944	56,688	1,368,408	4,299,040
Add:				
Net income from enterprise funds	-	-	568,477	568,477
Expenditures for capital assets	89,302	-	(89,302)	-
Depreciation provision	(349,064)	-	349,064	-
Restricted cash expended	5,516	-	(5,516)	-
Amortization of debt issuance costs	(16,130)	-	16,130	-
Repayment of long-term debt	713,764	-	(713,764)	-
Collections of note receivable	(434,704)	-	434,704	-
Recognition of unearned revenue	116,836	-	(116,836)	-
Expenditures for capital assets	<u>-</u>	<u>7,660</u>	<u>-</u>	<u>7,660</u>
Balance at December 31, 2009	<u>\$ 2,999,464</u>	<u>\$ 64,348</u>	<u>\$ 1,811,365</u>	<u>\$ 4,875,177</u>

The accompanying notes are an integral part of these financial statements.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Exhibit D**

**STATEMENTS OF CASH FLOWS  
Years ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 568,477	\$ 228,463
Adjustments to reconcile net income to net cash provided by operating activities:		
Sewer and garbage billings less amount remitted to City	7,660	(3,962)
Depreciation	349,064	345,316
Unearned revenues	(116,836)	(116,836)
Changes in assets and liabilities:		
(Increase) Decrease in:		
Receivables/unbilled	84,309	(40,986)
Prepayments	(584)	101
Materials and supplies	(2,654)	(2,008)
Unamortized debt issuance costs	16,130	16,131
Increase (Decrease) in:		
Accounts payable and deposits	(26,094)	67,214
Compensated absences	5,945	(14,810)
Net cash provided by operating activities	<u>885,417</u>	<u>478,623</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Change in restricted assets	<u>(3,713)</u>	<u>(109,254)</u>
Net cash used in non-capital financing activities	<u>(3,713)</u>	<u>(109,254)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital expenditures	(86,608)	(183,018)
Repayment of long-term debt	<u>(713,764)</u>	<u>(675,052)</u>
Net cash used in capital and related financing activities	<u>(800,372)</u>	<u>(858,070)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of temporary investments	510,587	999,424
Collection of notes receivable	434,704	400,283
Purchase of temporary investments	<u>(518,717)</u>	<u>(1,011,950)</u>
Net cash provided by investing activities	<u>426,574</u>	<u>387,757</u>
Net Increase (Decrease) in Cash and Cash Equivalents	507,906	(100,944)
Cash and Cash Equivalents at Beginning of Year	<u>531,177</u>	<u>632,121</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,039,083</u>	<u>\$ 531,177</u>

The accompanying notes are an integral part of these financial statements.



**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Exhibit E**

**STATEMENT OF INDEBTEDNESS  
Year ended December 31, 2009**

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
<b>Revenue Bonds</b>									
Water	4/16/2002	3.00 %	<u>\$4,005,080</u>	<u>\$3,043,000</u>	<u>\$ -</u>	<u>\$ (178,000)</u>	<u>\$2,865,000</u>	<u>\$ 88,181</u>	<u>\$ 7,064</u>
Electric	5/15/2005	3.5-4.8%	<u>\$2,000,000</u>	<u>\$1,685,000</u>	<u>\$ -</u>	<u>\$ (110,000)</u>	<u>\$1,575,000</u>	<u>\$ 70,028</u>	<u>\$ 5,359</u>
Water	8/31/2006	8.25%	<u>\$1,505,000</u>	<u>\$1,323,678</u>	<u>\$ -</u>	<u>\$ (133,690)</u>	<u>\$1,189,988</u>	<u>\$ 106,502</u>	<u>\$ 24,476</u>
Gas	8/31/2006	8.50%	<u>\$4,450,000</u>	<u>\$4,055,043</u>	<u>\$ -</u>	<u>\$ (292,074)</u>	<u>\$3,762,969</u>	<u>\$ 338,601</u>	<u>\$ 79,744</u>

The accompanying notes are an integral part of these financial statements.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Corning Municipal Utilities is a component unit of the City of Corning whose funds are reported under separate cover utilizing a fiscal year ending June 30. The City of Corning is a political subdivision of the State of Iowa located in Adams County. It was first incorporated in 1854 and operates under the Home Rule provisions of the Constitution of Iowa. The Utilities' board of trustees operates the City Utilities by the authority of Chapters 384 and 388 of the Code of Iowa. Corning Municipal Utilities provides water, electric and gas services on a user charge basis to the general public and other governmental units within Adams County, Iowa.

Basis of Presentation

The accounting policies of Corning Municipal Utilities conform to accounting principles generally accepted in the United States of America. Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Government-wide Financial Statements - The Balance Sheet and the Statement of Operations report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Balance Sheet presents the Utilities' nonfiduciary assets and liabilities, with the difference reported as fund equity. Fund equity is reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted fund equity* results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted fund equity* consists of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statements of Operations demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Reporting Entity

The financial statements include enterprise and agency funds of Corning Municipal Utilities (herein referred to as "the Utilities"), a component unit of the City of Corning, Iowa.

Fund Accounting

The accounts of the Utilities are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures or expenses. The various funds and their designated purposes are as follows:

Proprietary Funds

Enterprise Funds - Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges. The Enterprise Funds include electric, water and gas operations.

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the Utilities as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations. The Agency Funds include sewer and garbage service monies collected and held by the Utilities as an agent for the City of Corning, Iowa, which operates these facilities.

Measurement Focus and Basis of Accounting

Proprietary Funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The proprietary funds of the Utilities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utilities' Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

Restricted Assets

Funds set aside for payment of Enterprise Funds revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents.

Customer Accounts and Unbilled Usage

Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Temporary Investments

Investments with a maturity of less than one year are considered temporary investments and are carried at cost.

Plant Materials and Operating Supplies

Plant materials and operating supplies are valued at the lower of cost or market with cost determined by the average cost method.

Long-Lived Assets

The Utilities would provide for impairment losses on long-lived assets when no longer cost of service regulated, indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Based on current conditions, management does not believe any of its long-lived assets are impaired.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition

The Utilities recognizes revenues related to the Enterprise Funds when earned regardless of the period in which they are billed.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended December 31, 2009, disbursements did not exceed the budgeted amount.

**NOTE 2. DEPOSITS AND INVESTMENTS**

The Utilities' deposits at December 31, 2009, were entirely covered by federal depository insurance or by the Iowa State Sinking Fund for banks and savings associations in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utilities are authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utilities' investments are categorized to give an indication at the level of risk assumed by the Utilities at year-end. The Utilities' investments are all category 1, which means that the investments are all insured or registered or the securities are held by the Utilities or its agents in the Utilities' name.

The Utilities had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Investments are stated at fair value.

The Utilities' deposits and investments at December 31, 2009, are shown below:

Change and petty cash fund	\$ 300
Checking accounts	1,383,869
Certificates of deposit	<u>510,656</u>
 Total cash, cash equivalents and temporary investments	 <u>\$ 1,894,825</u>

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

**NOTE 3. CAPITAL ASSETS**

The provisions for depreciation for 2009 and 2008 are \$349,064 and \$345,316, respectively, of which \$3,954 and \$6,567, respectively, were distributed through a clearing account. The depreciation provision less the amount cleared was charged to expense against the following operations:

	<u>2009</u>	<u>2008</u>
Electric	\$ 151,425	\$ 147,387
Water	180,985	176,301
Gas	12,700	15,061
	<u>\$ 345,110</u>	<u>\$ 338,749</u>

At December 31, 2009 and 2008, utility plant in service included the following major classifications:

	<u>2009</u>	<u>2008</u>
Electric Plant in Service:		
Production Plant	\$ 2,932,635	\$ 2,919,923
Transmission Plant	432,735	432,735
Distribution Plant	1,226,401	1,214,103
General Plant	236,562	190,594
Subtotal	<u>4,828,333</u>	<u>4,757,355</u>
Water Plant in Service:		
Source of Supply and Pumping Plant	5,619,387	5,618,489
Distribution Plant	1,520,245	1,507,057
General Plant	210,478	210,478
Subtotal	<u>7,350,110</u>	<u>7,336,024</u>
Gas Plant in Service:		
Transmission and Distribution Plant	644,491	640,252
General Plant	133,477	133,477
Subtotal	<u>777,968</u>	<u>773,729</u>
Total utility plant in service	<u>\$ 12,956,411</u>	<u>\$ 12,867,108</u>

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

**NOTE 3. CAPITAL ASSETS (Continued)**

The individual rates applied to the average cost of the several classifications of depreciable utility plant produced the following composite depreciation rates for the years ended December 31, 2009 and 2008:

	2009	2008
Electric	3.23 %	3.16 %
Water	2.46 %	2.47 %
Gas	1.99 %	2.16 %

**NOTE 4. INTANGIBLES**

During 2003, the Utilities entered into an agreement with MidAmerican Energy to purchase six customers at a cost of \$45,000.

The Utilities annually assesses its recorded balances of goodwill and indefinite lived intangible assets for impairment. As a result, the Utilities determined no impairment needed to be recorded for the years ended December 31, 2009 and 2008.

**NOTE 5. BONDS PAYABLE**

Annual debt service requirements to maturity for Water, Electric and Gas Revenue Bonds are as follows:

Year Ending December 31	Revenue Bonds Water Issued April 16, 2002		Revenue Bonds Electric Issued May 15, 2005		Revenue Bonds Water Issued August 31, 2006		Revenue Bonds Gas Issued August 31, 2006	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 183,000	\$ 83,117	\$ 115,000	\$ 66,210	\$ 144,947	\$ 95,245	\$ 317,427	\$ 313,247
2011	189,000	77,537	120,000	61,685	157,152	83,040	344,982	285,693
2012	195,000	71,777	125,000	56,845	170,384	69,808	374,929	255,746
2013	200,000	65,852	130,000	51,680	184,731	55,461	407,475	223,200
2014	206,000	59,762	135,000	46,180	200,286	39,906	442,846	187,829
2015	213,000	53,477	140,000	40,335	217,150	23,042	481,288	149,387
2016	219,000	46,997	150,000	34,025	115,338	4,758	523,067	107,608
2017	226,000	40,322	155,000	27,238	-	-	568,472	62,202
2018	232,000	33,452	160,000	20,070	-	-	302,483	12,855
2019	239,000	26,387	170,000	12,395	-	-	-	-
2020	247,000	19,097	175,000	4,200	-	-	-	-
2021	254,000	11,582	-	-	-	-	-	-
2022	262,000	3,893	-	-	-	-	-	-
	<u>\$ 2,865,000</u>	<u>\$ 593,252</u>	<u>\$ 1,575,000</u>	<u>\$ 420,863</u>	<u>\$ 1,189,988</u>	<u>\$ 371,260</u>	<u>\$ 3,762,969</u>	<u>\$ 1,597,767</u>

The Water Revenue Bonds issued on April 16, 2002, were issued for the purpose of defraying the cost of constructing a new water plant facility. The bonds are payable solely from the income and proceeds of the Water Fund in accordance with the bond agreement. The proceeds of the Water Revenue Bonds shall be expended only for purposes which are consistent with the bond agreement. The bonds are not a general obligation of the Utilities, however, the debt is subject to the constitutional debt limitations of the Utilities.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

**NOTE 5. BONDS PAYABLE (Continued)**

The resolutions providing for the debt issuance of the water revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future net revenues of the Water Fund activity and the bond holders hold a lien on the future earnings of the fund.
- (b) The proceeds shall be used for the sole purpose of constructing a new water treatment facility as approved in the project plan.

The Utilities is not required to establish a sinking or reserve account by the Water Revenue Bond resolution.

Of the funds received for the Water Revenue Bonds, all funds were advanced as of December 31, 2009.

The Electric Revenue Bonds issued on May 15, 2005, were issued for the purpose of defraying the cost of constructing new generators. The bonds are payable solely from the income and proceeds of the Electric Fund in accordance with the bond agreement. The proceeds of the Electric Revenue Bonds shall be expended only for purposes which are consistent with the bond agreement. The bonds are not a general obligation of the Utilities, however, the debt is subject to the constitutional debt limitations of the Utilities.

The resolutions providing for the debt issuance of the electric revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future net revenues of the Electric Fund activity and the bond holders hold a lien on the future earnings of the fund.
- (b) The proceeds shall be used for the sole purpose of constructing new generators as approved in the project plan.

The Utilities is required to establish a sinking or reserve account by the Electric Revenue Bond resolution and has done so in accordance with the agreement.

Of the funds received for the Electric Revenue Bonds, all funds were advanced as of December 31, 2009.

The Water Revenue Bonds issued on August 31, 2006, were issued for the purpose of defraying the cost of installing new water mains to the ethanol plant. The bonds are payable solely from the income and proceeds of the Water Fund in accordance with the bond agreement. The proceeds of the Water Revenue Bonds shall be expended only for purposes which are consistent with the bond agreement. The bonds are not a general obligation of the Utilities, however, the debt is subject to the constitutional debt limitations of the Utilities.



**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

**NOTE 5. BONDS PAYABLE (Continued)**

The resolutions providing for the debt issuance of the water revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future net revenues of the Water Fund activity and the bond holders hold a lien on the future earnings of the fund.
- (b) The proceeds shall be used for the sole purpose of installing new water mains to the industrial park as approved in the project plan.

The Utilities is required to establish a sinking or reserve account by the Water Revenue Bond resolution. The Utilities is billing the ethanol plant, which is now in operation, monthly for the principal and interest payments that will be due. During 2008, new Iowa Public Agency Investment Trust (IPAIT) accounts were set up to document this better and directly set the funds aside.

Of the funds received for the Water Revenue Bonds, all funds were advanced as of December 31, 2009.

The Gas Revenue Bonds issued on August 31, 2006, were issued for the purpose of defraying the cost of installing new gas lines to the ethanol plant from the main connection point. The bonds are payable solely from the income and proceeds of the Gas Fund in accordance with the bond agreement. The proceeds of the Gas Revenue Bonds shall be expended only for purposes which are consistent with the bond agreement. The bonds are not a general obligation of the Utilities, however, the debt is subject to the constitutional debt limitations of the Utilities.

The resolutions providing for the debt issuance of the gas revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future net revenues of the Gas Fund activity and the bond holders hold a lien on the future earnings of the fund.
- (b) The proceeds shall be used for the sole purpose of installing new gas mains to the industrial park as approved in the project plan.

The Utilities is required to establish a sinking or reserve account by the Gas Revenue Bond resolution. The Utilities is billing the ethanol plant, which is now in operation, monthly for the principal and interest payments that will be due. During 2008, new IPAIT accounts were set up to document this better and directly set the funds aside.

Of the funds received for the Gas Revenue Bonds, all funds were advanced as of December 31, 2009.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

**NOTE 6. COMPENSATED ABSENCES**

The Utilities' employees accumulate vacation and sick leave hours for subsequent use or for payment upon retirement. Upon retirement, the Utilities pay up to 200 hours of accumulated vacation and up to 720 hours of accumulated sick leave. Any vacation and sick leave accumulated is allowed to be taken while in the employment of the Utilities.

As of December 31, 2009 and 2008, the liability for accrued vacation and sick leave is \$91,284 and \$85,339, respectively. The amount expected to be paid from current resources is not significant.

**NOTE 7. UNEARNED REVENUE**

In conjunction with the construction of the new water treatment facility, the Utilities received \$2,336,716 from Southwestern Iowa Rural Water Association (SIRWA) related to future usage of the new water plant facility. As of December 31, 2009 and 2008, the amount unearned is \$1,402,029 and \$1,518,865, respectively. SIRWA does not possess any ownership rights in the water plant facility. Therefore, the payment received from them is being recognized as revenue over the period of repayment of the bonds used to purchase the new facility (20 years). During 2005, there was a true-up for final amounts remitted to the Utilities by SIRWA as final project costs were determined and agreed upon by both entities.

The unearned revenue will be recognized as follows:

2010	\$ 116,836
2011	116,836
2012	116,836
2013	116,836
2014	116,836
2015-2022	817,849

**NOTE 8. PENSION AND RETIREMENT BENEFITS**

Corning Municipal Utilities contributes to the Iowa Public Employees' Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the Utilities is required to contribute 6.35% of annual covered salary. Certain employees in special risk occupations and the Utilities contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The Utilities' contributions to IPERS for the three years ended December 31, 2009, 2008, and 2007, were \$23,667, \$21,856 and \$23,191, respectively, equal to the required contributions for each year.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

**NOTE 9. DEFERRED COMPENSATION PLAN**

The Utilities offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows the Utilities' employees to defer a portion of their current salary until future years. The employees become eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are, until made available to the participant or other beneficiary, solely the property and rights of the Utilities, without being restricted to the provision of benefits under the plan, subject only to the claims of the Utilities' general creditors.

The Utilities is responsible for due care in managing the investments and the participant or beneficiary assumes the risk of loss from decreases in the value of plan assets.

**NOTE 10. RISK MANAGEMENT**

Corning Municipal Utilities is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance coverage. The Utilities assume liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 11. CONCENTRATION OF CREDIT RISK**

The Utilities grants credit to its customers, all of whom are located in the municipal service area.

**NOTE 12. RELATED PARTY TRANSACTIONS**

The Utilities had business transactions totaling \$1,558 between the Utilities and a Board member during the year ended December 31, 2009.

**NOTE 13. COMMITMENTS AND CONTINGENCIES**

In 2008, the Utilities entered into a purchase commitment to purchase all gas requirements from Interstate Municipal Gas Agency. This contract expires July 31, 2027.

**NOTE 14. SUPPLEMENTAL CASH FLOW INFORMATION**

Accounts payable includes \$3,350 and \$656 at December 31, 2009 and 2008, respectively, relating to utility plant and equipment additions placed in service during 2009 and 2008.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

**NOTE 15. NOTES RECEIVABLE**

The Utilities entered into a note receivable agreement with Poet Biorefining in 2007. The notes receivable was originally recorded for \$5,955,000. The note calls for monthly payments to be received equal to the debt service requirements of the 2006 water and gas revenue bonds disclosed in Note 5. The outstanding balance at December 31, 2009 on this note receivable is \$5,057,177.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis)  
Year ended December 31, 2009**

	GAAP Basis Financial Statements	Adjustments	Adjusted to Cash Basis	Cash Basis Budget	Variance
<b>Receipts</b>					
Charges for services	\$ 3,621,326	\$ (84,846)	\$ 3,536,480	\$ 3,944,000	\$ (407,520)
Use of money and property	456,411	4,845	461,256	22,000	439,256
Miscellaneous	6,692	(1,527)	5,165	892,366	(887,201)
	<u>4,084,429</u>	<u>(81,528)</u>	<u>4,002,901</u>	<u>4,858,366</u>	<u>(855,465)</u>
<b>Disbursements</b>					
Cash	3,166,888	26,326	3,193,214	5,346,673	2,153,459
Noncash	349,064	(349,064)	-	N/A	-
	<u>3,515,952</u>	<u>(322,738)</u>	<u>3,193,214</u>	<u>5,346,673</u>	<u>2,153,459</u>
 Excess of receipts over disbursements	 568,477	 241,210	 809,687	 (488,307)	 1,297,994
 Add (Reduce):					
Operating activities cash flow	309,280	(309,279)	1	N/A	
Capital expenditures	(86,608)	-	(86,608)	N/A	
Note receivable collection	434,705	72,572	507,277	N/A	
Debt financing activities	(713,764)	-	(713,764)	N/A	
Net payment of agency funds	<u>7,660</u>	<u>(4,503)</u>	<u>3,157</u>	<u>N/A</u>	
 Net funds increase (decrease)	 <u>519,750</u>	 <u>-</u>	 <u>519,750</u>	 <u>(488,307)</u>	
 Beginning funds January 1, 2009	 <u>1,375,076</u>	 <u>-</u>	 <u>1,375,076</u>	 <u>1,215,168</u>	
 Ending funds December 31, 2009	 <u>\$ 1,894,826</u>	 <u>\$ -</u>	 <u>\$ 1,894,826</u>	 <u>\$ 726,861</u>	

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -  
BUDGETARY REPORTING  
Year ended December 31, 2009**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, there were no budget amendments.

## **OTHER SUPPLEMENTARY INFORMATION**



**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Schedule 1**

**BALANCE SHEET BY DEPARTMENT  
December 31, 2009**

**ASSETS**

	Electric	Water	Gas	Sewer	Garbage	Total
<b>ELECTRIC PLANT IN SERVICE</b>	\$ 4,828,333					\$ 4,828,333
Less accumulated depreciation	<u>2,191,744</u>					<u>2,191,744</u>
	<u>2,636,589</u>					<u>2,636,589</u>
<b>WATER PLANT IN SERVICE</b>		\$ 7,350,110				7,350,110
Less accumulated depreciation		<u>1,559,768</u>				<u>1,559,768</u>
		<u>5,790,342</u>				<u>5,790,342</u>
<b>GAS PLANT IN SERVICE</b>			\$ 777,968			777,968
Less accumulated depreciation			<u>664,944</u>			<u>664,944</u>
			<u>113,024</u>			<u>113,024</u>
<b>RESTRICTED ASSETS</b>						
Cash-security deposits	16,275	4,615	24,840			45,730
Water plant project	-	118,146	-			118,146
Electric Revenue Bond Sinking Fund	<u>181,210</u>	<u>-</u>	<u>-</u>			<u>181,210</u>
	<u>197,485</u>	<u>122,761</u>	<u>24,840</u>			<u>345,086</u>
<b>OTHER NONCURRENT ASSETS</b>						
Notes receivable, less current portion	-	1,069,517	3,525,286			4,594,803
Unamortized debt issuance costs	24,500	68,570	57,938			151,008
Intangibles	<u>45,000</u>	<u>-</u>	<u>-</u>			<u>45,000</u>
	<u>69,500</u>	<u>1,138,087</u>	<u>3,583,224</u>			<u>4,790,811</u>
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	366,220	201,056	419,760	\$ 39,655	\$ 12,392	1,039,083
Temporary investments	432,230	-	78,426	-	-	510,656
Customers accounts receivable	9,951	6,309	-	9,405	2,896	28,561
Unbilled revenues	213,539	49,472	203,396	-	-	466,407
Interfund receivable (payable)	520,618	(367,857)	(152,761)	-	-	-
Other accounts receivable	4,753	18,411	344	-	-	23,508
Notes receivable	-	144,947	317,427	-	-	462,374
Plant materials and operating supplies	33,068	44,393	29,359	-	-	106,820
Prepaid insurance	<u>7,155</u>	<u>1,319</u>	<u>3,329</u>	<u>-</u>	<u>-</u>	<u>11,803</u>
	<u>1,587,534</u>	<u>98,050</u>	<u>899,280</u>	<u>49,060</u>	<u>15,288</u>	<u>2,649,212</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,491,108</u>	<u>\$ 7,149,240</u>	<u>\$ 4,620,368</u>	<u>\$ 49,060</u>	<u>\$ 15,288</u>	<u>\$ 16,325,064</u>

See Accompanying Independent Auditors' Report

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Schedule 1**

**BALANCE SHEET BY DEPARTMENT  
December 31, 2009**

**LIABILITIES AND FUND EQUITY**

	<u>Electric</u>	<u>Water</u>	<u>Gas</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<b>FUND EQUITY</b>						
Invested in capital assets, net of related debt	\$ 1,131,089	\$ 1,617,669	\$ 250,706	\$ -	\$ -	\$ 2,999,464
Fund balance-agency funds (restricted)	-	-	-	49,060	15,288	64,348
Unrestricted	<u>1,616,681</u>	<u>(130,022)</u>	<u>324,706</u>	<u>-</u>	<u>-</u>	<u>1,811,365</u>
	<u>2,747,770</u>	<u>1,487,647</u>	<u>575,412</u>	<u>49,060</u>	<u>15,288</u>	<u>4,875,177</u>
 <b>LONG-TERM LIABILITIES</b>						
Compensated absences	45,804	22,740	22,740			91,284
Unearned revenue	-	1,402,029	-			1,402,029
Long-term debt	<u>1,460,000</u>	<u>3,727,041</u>	<u>3,445,542</u>			<u>8,632,583</u>
	<u>1,505,804</u>	<u>5,151,810</u>	<u>3,468,282</u>			<u>10,125,896</u>
 <b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>						
Customer deposits	<u>16,275</u>	<u>4,615</u>	<u>24,840</u>			<u>45,730</u>
 <b>CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS</b>						
Accounts payable	106,259	60,385	183,952			350,596
Advanced payments	-	116,836	50,455			167,291
Current portion of long-term debt	<u>115,000</u>	<u>327,947</u>	<u>317,427</u>			<u>760,374</u>
	<u>221,259</u>	<u>505,168</u>	<u>551,834</u>			<u>1,278,261</u>
 <b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 4,491,108</u>	<u>\$ 7,149,240</u>	<u>\$ 4,620,368</u>	<u>\$ 49,060</u>	<u>\$ 15,288</u>	<u>\$ 16,325,064</u>

See Accompanying Independent Auditors' Report

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Schedule 2**

**SCHEDULE OF INCOME AND FUND EQUITY BY DEPARTMENT  
Year ended December 31, 2009**

	Electric	Water	Gas	Total (Memorandum Only)
<b>OPERATING REVENUES</b>				
Residential sales	\$ 634,841	\$ 426,940	\$ 490,041	\$ 1,551,822
Commercial sales	466,856	300,731	312,928	1,080,515
Public authority sales	520,670	41,485	209,129	771,284
SIRWA revenue	-	116,836	-	116,836
Other miscellaneous	10,026	31,300	59,543	100,869
	<u>1,632,393</u>	<u>917,292</u>	<u>1,071,641</u>	<u>3,621,326</u>
<b>OPERATING EXPENSES</b>				
Purchased energy	876,918	-	633,349	1,510,267
Operations and maintenance	106,450	239,417	16,380	362,247
Depreciation	151,425	180,985	12,700	345,110
Meter reading	666	1,953	5,759	8,378
Customer records and collections	2,191	1,310	1,882	5,383
Customer rebates	9,221	295	7,733	17,249
Total customer accounts expense	<u>1,146,871</u>	<u>423,960</u>	<u>677,803</u>	<u>2,248,634</u>
Administrative and general salaries	196,311	155,299	133,105	484,715
Office supplies and expense	5,921	4,642	4,798	15,361
Outside services employed	21,469	17,764	7,119	46,352
General insurance	14,295	7,975	8,609	30,879
General administration	16,700	18,802	17,774	53,276
Total general and administrative expense	<u>254,696</u>	<u>204,482</u>	<u>171,405</u>	<u>630,583</u>
Use tax	2,067	-	474	2,541
Property tax	3,177	-	119	3,296
Total general taxes	<u>5,244</u>	<u>-</u>	<u>593</u>	<u>5,837</u>
	<u>1,406,811</u>	<u>628,442</u>	<u>849,801</u>	<u>2,885,054</u>
<b>OPERATING INCOME</b>	<u>225,582</u>	<u>288,850</u>	<u>221,840</u>	<u>736,272</u>
<b>OTHER INCOME (EXPENSE)</b>				
Income from merchandising and custom work, net	2,771	2,257	1,664	6,692
Interest income	7,375	107,839	341,197	456,411
Other income charges	(5,970)	(10,099)	(11,524)	(27,593)
	<u>4,176</u>	<u>99,997</u>	<u>331,337</u>	<u>435,510</u>
<b>INCOME BEFORE FIXED CHARGES</b>	<u>229,758</u>	<u>388,847</u>	<u>553,177</u>	<u>1,171,782</u>
<b>FIXED CHARGES</b>				
Interest	<u>70,025</u>	<u>194,681</u>	<u>338,599</u>	<u>603,305</u>
<b>NET INCOME</b>	<u>159,733</u>	<u>194,166</u>	<u>214,578</u>	<u>568,477</u>
<b>FUND EQUITY, JANUARY 1, 2009</b>	<u>2,588,037</u>	<u>1,293,481</u>	<u>360,834</u>	<u>4,242,352</u>
<b>FUND EQUITY, DECEMBER 31, 2009</b>	<u>\$ 2,747,770</u>	<u>\$ 1,487,647</u>	<u>\$ 575,412</u>	<u>\$ 4,810,829</u>

See Accompanying Independent Auditors' Report

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Schedule 3**

**SCHEDULE OF AGENCY FUND NET ASSETS  
December 31, 2009**

	<u>Agency Funds 12/31/2008</u>	<u>Billed</u>	<u>Collected</u>	<u>Paid</u>	<u>Agency Funds 12/31/2009</u>
<b><u>ASSETS</u></b>					
Non-pooled cash:					
Sewer rental	\$ 36,687	\$ -	\$ 475,972	\$ (473,004)	\$ 39,655
Garbage collection	<u>12,203</u>	<u>-</u>	<u>144,863</u>	<u>(144,674)</u>	<u>12,392</u>
Total cash	<u>48,890</u>	<u>-</u>	<u>620,835</u>	<u>(617,678)</u>	<u>52,047</u>
Receivables:					
Sewer rental	5,961	462,447	(459,003)	-	9,405
Garbage collection	<u>1,837</u>	<u>146,490</u>	<u>(145,431)</u>	<u>-</u>	<u>2,896</u>
Total receivables	<u>7,798</u>	<u>608,937</u>	<u>(604,434)</u>	<u>-</u>	<u>12,301</u>
Net assets held in agency funds	<u>\$ 56,688</u>	<u>\$ 608,937</u>	<u>\$ 16,401</u>	<u>\$ (617,678)</u>	<u>\$ 64,348</u>

See Accompanying Independent Auditors' Report

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Schedule 4**

**SCHEDULE OF ELECTRIC PLANT  
Year ended December 31, 2009**

	Balance December 31, 2008	Additions	Retirements	Balance December 31, 2009
<b>Production Plant:</b>				
Land	\$ 66,520	\$ -	\$ -	\$ 66,520
Structures and improvements	272,637	-	-	272,637
Fuel holders, producers and accessories	16,900	1,567	-	18,467
Generators	2,265,304	9,083	-	2,274,387
Accessory electric equipment	298,562	2,062	-	300,624
	<u>2,919,923</u>	<u>12,712</u>	<u>-</u>	<u>2,932,635</u>
<b>Transmission Plant:</b>				
Station equipment	388,603	-	-	388,603
Poles and fixtures	36,068	-	-	36,068
Overhead conductors and devices	8,064	-	-	8,064
	<u>432,735</u>	<u>-</u>	<u>-</u>	<u>432,735</u>
<b>Distribution Plant:</b>				
Poles, towers and fixtures	145,794	-	-	145,794
Overhead conductors and devices	315,194	-	-	315,194
Underground conduit	72,871	-	-	72,871
Underground conductors and devices	176,987	-	-	176,987
Line transformers	161,312	6,964	-	168,276
Services	172,840	-	-	172,840
Meters	128,695	4,903	-	133,598
Street lighting and signal system	40,410	431	-	40,841
	<u>1,214,103</u>	<u>12,298</u>	<u>-</u>	<u>1,226,401</u>
<b>General Plant:</b>				
Office furniture and equipment	24,391	-	-	24,391
Transportation equipment	119,078	44,000	-	163,078
Tools, shop and garage equipment	22,704	1,968	-	24,672
Laboratory equipment	724	-	-	724
Power operated equipment	17,668	-	-	17,668
Communication equipment	6,029	-	-	6,029
	<u>190,594</u>	<u>45,968</u>	<u>-</u>	<u>236,562</u>
	<u>\$ 4,757,355</u>	<u>\$ 70,978</u>	<u>\$ -</u>	<u>\$ 4,828,333</u>

See Accompanying Independent Auditors' Report

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Schedule 5**

**SCHEDULE OF WATER PLANT  
Year ended December 31, 2009**

	Balance December 31, 2008	Additions	Retirements	Balance December 31, 2009
<b>Source of Supply and Pumping Plant:</b>				
Land and land rights	\$ 142,538	\$ -	\$ -	\$ 142,538
Structures and improvements	3,986,949	-	-	3,986,949
Collection and impounding reservoir	76,493	-	-	76,493
Lakes, rivers and other intakes	84,235	-	-	84,235
Supply mains	303,128	-	-	303,128
Electronic pumping equipment	354,606	-	-	354,606
Pumping and treatment equipment	670,540	898	-	671,438
	<u>5,618,489</u>	<u>898</u>	<u>-</u>	<u>5,619,387</u>
<b>Distribution Plant:</b>				
Distribution system and standpipes	559,408	-	-	559,408
Transmission and distribution mains	770,223	2,440	-	772,663
Meters and customer premise equipment	138,178	10,748	-	148,926
Hydrants	39,248	-	-	39,248
	<u>1,507,057</u>	<u>13,188</u>	<u>-</u>	<u>1,520,245</u>
<b>General Plant:</b>				
Furniture and office equipment	47,519	-	-	47,519
Transportation equipment	49,019	-	-	49,019
Work equipment	6,690	-	-	6,690
Laboratory equipment	23,907	-	-	23,907
Power operated equipment	78,805	-	-	78,805
Communication equipment	4,538	-	-	4,538
	<u>210,478</u>	<u>-</u>	<u>-</u>	<u>210,478</u>
	<u>\$ 7,336,024</u>	<u>\$ 14,086</u>	<u>\$ -</u>	<u>\$ 7,350,110</u>

See Accompanying Independent Auditors' Report

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Schedule 6**

**SCHEDULE OF GAS PLANT  
Year ended December 31, 2009**

	Balance December 31, 2008	Additions	Retirements	Balance December 31, 2009
<b>Transmission and Distribution Plant:</b>				
Transmission mains	\$ 119,876	\$ -	\$ -	\$ 119,876
Structures and improvements	45,378	-	-	45,378
Distribution mains	318,459	-	-	318,459
Measure and regulating station equipment	41,647	-	-	41,647
Meters	114,892	4,239	-	119,131
	<u>640,252</u>	<u>4,239</u>	<u>-</u>	<u>644,491</u>
<b>General Plant:</b>				
Work equipment	92,054	-	-	92,054
Furniture and office equipment	27,575	-	-	27,575
Transportation equipment	13,848	-	-	13,848
	<u>133,477</u>	<u>-</u>	<u>-</u>	<u>133,477</u>
	<u>\$ 773,729</u>	<u>\$ 4,239</u>	<u>\$ -</u>	<u>\$ 777,968</u>

See Accompanying Independent Auditors' Report



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Corning Municipal Utilities  
Corning, Iowa

We have audited the financial statements of Corning Municipal Utilities as of and for the year ended December 31, 2009, and have issued our report thereon dated July 2, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements of Corning Municipal Utilities as of and for the year ended December 31, 2009, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, we considered Corning Municipal Utilities' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Utilities' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. Of the significant deficiencies described in Part II of the accompanying Schedule of Findings, we believe Items II-A-09 and II-B-09 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corning Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended December 31, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Utilities' responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Utilities' responses, we did not audit the entity's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees and citizens of Corning Municipal Utilities and other parties to whom the Utilities may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Corning Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Kiesling Associates LLP*

West Des Moines, Iowa  
July 2, 2010

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Schedule of Findings  
December 31, 2009**

**Part I: Summary of Independent Auditors' Results:**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Schedule of Findings  
December 31, 2009**

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

II-A-09      Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. This situation is not unusual for utilities your size.

Recommendation - In this situation, compensating controls may be available through strong trustee control over financial transactions and continuous monitoring of the Utilities' operations. We realize that with a limited number of office employees, segregation of duties is difficult. However, operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances.

Response - The Utilities believes this approach provides a cost effective solution in light of their limited resources.

Conclusion - Response acknowledged.

II-B-09      Antifraud Program - The Utilities has obtained an awareness of the implication of fraud in their business, but has yet to develop a formal antifraud program with stated control processes. This situation is not unusual for utilities your size.

Recommendation - In this situation, compensating controls may be available through strong trustee control over financial transactions and continuous monitoring of the Utilities' operations. The development of an antifraud program may not be a cost effective solution in light of your limited resources.

Response - The Utilities believes this approach provides a cost effective solution in light of their limited resources.

Conclusion - Response acknowledged.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Schedule of Findings  
December 31, 2009**

**II-C-09**      Accounting Assistance - The Utilities has a limited number of personnel, as a result, it has utilized accounting assistance from another party to draft financial statements and assist with preparation of certain normal annual closing entries. While the Utilities reviews and approves the results of these activities, they recognize these activities meet the definition of a significant deficiency as defined above. This situation is not unusual for utilities your size.

Recommendation - In this situation, compensating controls may be available through strong trustee control over financial transactions and continuous monitoring of the Utilities' operations. This approach may be the best cost effective solution in light of your limited resources.

Response - The Utilities believes this approach provides a cost effective solution in light of their limited resources.

Conclusion - Response acknowledged.

**II-D-09**      Review Financial Results - Management and the board of trustees periodically review financial results of the Utilities.

Recommendation - Governance of this process would be enhanced through a management discussion and analysis of key changes in elements of the financial statements from prior periods and budget. Also, periodic educational sessions with the board on key financial and regulatory topics would enhance the board's ability to govern the Utilities.

Response - We will consider this.

Conclusion - Response acknowledged.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Schedule of Findings  
December 31, 2009**

**Part III: Other Findings Related to Required Statutory Reporting:**

- III-A-09      Official Depositories - A resolution naming official depositories has been approved by the Utilities. The maximum deposit amounts stated in the resolution were not exceeded during the year ended December 31, 2009.
- III-B-09      Certified Budget - Disbursements during the year ended December 31, 2009, were within the amounts budgeted in the Home and Community Environment Program. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."
- III-C-09      Questionable Disbursements - No expenditures that we believe may not meet the requirements of public purpose as defined in Attorney General's opinion dated April 29, 1979, were noted.
- III-D-09      Travel Expense - No expenditures of the Utilities' money for travel expenses of spouses of the Utilities' officials and/or employees were noted.
- III-E-09      Basis of Accounting - Corning Municipal Utilities uses a uniform accounting system and follows the accrual basis of accounting.
- III-F-09      Fixed Asset Record - A detailed record of fixed assets is currently being maintained.
- III-G-09      Bond Coverage - Surety bond coverage of the Utilities' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-H-09      Trustee Minutes - No transactions were found that we believe should have been approved in the minutes but were not. The minutes' records were examined and appeared to give a condensed, accurate account of business transacted by the Trustees and were published in accordance with the requirements of the Code of Iowa.
- III-I-09      Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utilities' investment policy were noted.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**Schedule of Findings  
December 31, 2009**

III-J-09      Business Transactions - The business transactions, which came to our attention during the course of our audit between the Utilities and the Utilities' officials and/or employees, are detailed as follows:

Name, Title, and Business & Connection	Description	Total Transactions
Scott Akin (Trustee), Owner, Akin Ltd.	Materials and supplies	\$ <u>1,558</u>

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with Scott Akin (Trustee) do not appear to represent conflicts of interest since his store is the only store in town that carries certain supplies and total transactions were less than \$2,000 during the fiscal year.

III-K-09      Revenue Notes - The only instance of non-compliance noted concerns the water revenue note. The bond requirements state that net revenues should be at least 110% of the amount of principal and interest falling due in the same year. The Utilities is not in compliance with this requirement.

III-L-09      RFP Process - The audit was not awarded through the RFP process as required by the Code of Iowa for contracts entered into after May 31, 1989.

**CORNING MUNICIPAL UTILITIES  
CORNING, IOWA**

**STAFF**

This audit was performed by:

Paul M. Koster, CPA, Partner  
Julie K. Trichel, CPA, Supervising Senior Accountant  
Jennifer M. Grabner, CPA, Senior Accountant  
Justin D. Crouse, CPA, Accountant